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Viewing cable 08DAMASCUS142, REACTIONS TO MAKHLUF DESIGNATION

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Understanding cables

Every cable message consists of three parts:

- The top box shows each cables unique reference number, when and by whom it originally was sent, and what its initial classification was.
- The middle box contains the header information that is associated with the cable. It includes information about the receiver(s) as well as a general subject.
- The bottom box presents the body of the cable. The opening can contain a more specific subject, references to other cables ([browse by origin](#) to find them) or additional comment. This is followed by the main contents of the cable: a summary, a collection of specific topics and a comment section.

To understand the justification used for the classification of each cable, please use this [WikiSource](#) article as reference.

Discussing cables

If you find meaningful or important information in a cable, please link directly to its unique reference number. Linking to a specific paragraph in the body of a cable is also possible by copying the appropriate link (to be found at the paragraph symbol). Please mark messages for social networking services like Twitter with the hash tags **#cablegate** and a hash containing the reference ID e.g. **#08DAMASCUS142**.

| Reference ID | Created | Released | Classification | Origin |
|-------------------------------|------------------|------------------|------------------------|----------------------------------|
| 08DAMASCUS142 | 2008-02-26 16:33 | 2011-08-30 01:44 | SECRET | Embassy Damascus |

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S E C R E T SECTION 01 OF 04 DAMASCUS 000142

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STATE FOR NEA/ELA, EEB/TFS;
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E.O. 12958: DECL: 02/25/2028
TAGS: [ECON](#) [EFIN](#) [EINV](#) [KCOR](#) [PGOV](#) [SY](#) [LE](#)
SUBJECT: REACTIONS TO MAKHLUF DESIGNATION

REF: A. DAMASCUS 126
 [B.](#) DAMASCUS 70
 [C.](#) DAMASCUS 54

Classified By: Charge d'Affaires Michael Corbin for reasons 1.4(b,d)

[¶](#)1. (S) Summary: The February 22 designation of Rami Makhluf pursuant to E.O. 13460 generated considerable discussion, but

Syrian media coverage has been minimal. Makhluf's defiant announcement on BBC Arabic radio that the designation was tantamount to a medal of honor was as close to an official reaction as we have seen. Human rights contacts overwhelmingly supported the action. A few Syrian websites reporting the designation generated comments that generally denounced corruption and favored the action, but roughly 30 percent of the postings had positive things to say about Makhluf. Business and other reactions were mixed, with some saying the timing of the designation could not have been better, while others suggested the USG action was a desperate political act that failed to achieve anything significant. We nonetheless detected uncertainty about what the designation could mean for Rami's partners and his foreign-based assets. End Summary

MAKHLUF REACTS WITH BRAVADO ON BBC RADIO

¶2. (SBU) The February 22 designation of Rami Makhluf hit Damascus on the eve of the Syrian weekend and thus generated little initial media reaction. Two days after Washington's announcement, Rami took to the airwaves of BBC Arabic Radio to respond, calling the designation "a medal we hang on our chest" as part of a "political ploy aimed at undermining important (Syrian) individuals." He added, "They accuse us of corruption, while we are among the group that is working to invest the most in Syria." Discounting the impact of the designation, Makhluf claimed that he had no assets in the U.S. "Only a fool would invest in America," he said. "We were expecting such a decision to be issued over a year ago, but they were late." Although FM Muallem responded publicly when the E.O. was first announced on February 13, there thus far has been no official SARG reaction to the Makhluf designation.

SERENDIPITOUS TIMING AMPLIFIES IMPACT ON REGIME

¶3. (S) Coming just a week after the assassination of Imad Mughniyeh, and during a period of rising tensions with Saudi Arabia and the West, the timing of the Makhluf designation amplified its impact on the regime. Contacts report that Syrian Military Intelligence (SMI) and General Intelligence Directorate (GID) officials are currently engaged in an interneccine struggle to blame each other for the breach of security that resulted in Mughniyeh's death. In recent days, the Saudi-sponsored Sharq al-Awsat published scathing articles suggesting that Syria is not worthy of hosting the upcoming Arab summit. Additionally, President Mubarak has publicly linked Syrian policy in Lebanon to Egypt's participation in the Arab League summit, and Syrians are increasingly concerned about the direction Lebanon is heading. Thus, in the conspiracy-fueled streets of Damascus, our sources indicated that the Makhluf designation seemed to be a well-timed ratcheting-up of pressure on the regime.

EDUCATED SYRIANS AND CIVIL SOCIETY CELEBRATE

¶4. (S) The designation resonated on the Syrian "street" among middle class followers of international media, many of whom quietly celebrated Makhluf's public humiliation as a long-overdue comeuppance. The website "Syrianews" covered Makhluf's response on BBC, and approximately 70 percent of readers' comments to the article were anti-Makhluf. "As for Santa Claus Makhluf who is showering us with his deeds," wrote one, "could he explain to us where did he bring his first millions from?" Another commented, "Did Rami invest in any project which would support scientific research, develop the country, or do such projects that do not yield profits in the billions?" Still another opined, "Does anybody dare criticize the economic genius Professor Rami?" The human rights community was also very supportive, but expressed to Poloff their desire to see additional designations in the

near future. Upon hearing the news at a meeting with Post's TDY Press Attaché, a well-known, Dubai-based Syrian Ba'ath Party dissident shouted and kissed the officer's cheek.

SOME BUSINESSMEN EXPRESS APPREHENSION

¶15. (S) Reaction from Embassy business contacts tended to fall into one of two categories, depending on the contact's relationship with the regime. Apolitical businessmen reported that the designation had sent shockwaves through Rami's business partners who were now waiting nervously for any additional shoes to drop. Most were concerned about their potential liability due to their business relationship with Makhluf, especially those with assets in the U.S. and Europe. One contact predicted that if this designation was quickly followed by others, or even rumors of additional ones, Rami's foreign and local partners would completely divest out of self-preservation and absorb whatever regime criticism resulted.

¶16. (S) Ihansan Sanker, a businessman with Asad family contacts who successfully resisted Rami's efforts to crowd him out of a Mercedes dealership, argued any corruption sanctions that did not include Rami would be meaningless. He predicted before the designation that most Syrians were fully aware of Rami's corruption and would secretly applaud it. Some regime insiders would attempt to portray the designation as a personal matter between the Bush administration and the Asad family. While Rami had been expecting the sanction for some time, it was nonetheless important for the U.S. to send a strong signal. Sanker did not think that sanctioning Rami alone would have much of an effect on Syria's regional or domestic policies. More designations and tough implementation would be needed to convince the regime the U.S. was serious.

¶17. (S) A reporter for an independent trade website said he wasn't sure the details of the designation were well understood by Syrian businessman and the average Syrian in the street. How would the designation affect foreign investment prospects, for example? Most Syrian elites assumed that the absence of Rami's assets in the U.S. would make this a moot case. If there were ripple effects on Rami's business partners, then that might cause people to pay closer attention.

¶18. (S) Khalid Oweiss, a Reuters correspondent working on his own piece regarding Makhluf, passed along that he and other journalists had interviewed a former American employee of Rami's empire who had detailed knowledge of Rami's holdings. That source said the designation created many questions that had to be answered before one could assess the impact. Would all of Rami's partners be sanctionable? Did Rami have to own a majority share in a company before Americans and others were liable? How would the designation affect ongoing negotiations regarding the sale of Rami's share of Syriatel's cell concession? Oweiss personally supported the designation and reported that his contacts said that it was overdue. He believed more designations were desirable, arguing, "One a week for the next three months would pressure the Syrians and force them to capitulate."

WHILE OTHER ELITES ARE DISMISSIVE

¶19. (S) Elites with a pro-regime bias characterized the designation as a purely symbolic gesture with no tangible economic repercussions. They viewed the designation as a feckless personal attack on the Asad family from a U.S. Administration with little remaining political leverage over Syria. Regarding Makhluf's many prominent business partners in Cham Holding, this group's opinion was that no Syrian would dare try to divest from Rami -- even if he wanted to -- for fear of being perceived as a coward in the face of US pressure. Consequently, this line of thinking concluded,

Makhluf's designation will result in a "circling of the wagons" around the regime.

¶10. (S) One Cham Holding partner -- who holds U.S. citizenship -- admitted to Econoff that, after hearing about the designation on Al Jazeera, he had run his own name through Google to see what public information might connect him to Rami. Claiming to have no affection for the Makhlufs or the regime, he said he still could not imagine divesting his family business from Cham Holding and remaining in Syria.

"I love the U.S.," he explained, "but my entire life is in Syria. What am I supposed to do, take my family to the U.S. and get a job making 5000 dollars a month, or be my own boss and give my children a better life in Syria?" After arguing that his two-percent share of Cham Holding would not put him in legal jeopardy, he finally shrugged his shoulders and said, "Whatever happens to Rami, happens to all of us."

¶11. (S) University of Wisconsin alum and Regional Director of Management Development Consulting International Hassan al Nouri assessed Rami's designation as an empty, desperate attempt by the outgoing Bush administration to punish a member of Bashar's inner circle. A marketing expert, al Nouri asked, "What was the intended message (of the designation)? I looked and looked, but could find very little. The time for such an action was two years ago." Unless the U.S. could sanction Rami's Byblos Bank (five percent share) or convince the Emiratis to freeze Rami's UAE-based assets, he concluded that the designation would have very little teeth and would be regarded by most Syrians as yet another "wayward arrow from the warped bow of George Bush."

¶12. (S) Samir al-Taqi, foreign policy analyst and informal advisor to the MFA, characterized Rami's designation as a "mostly symbolic gesture" that would have little impact on the regime's policies. Al-Taqi said Bashar had already put some distance between himself and his cousin and Makhluf had moved a great deal of his personal assets to Dubai. Al Taqi conceded that most Syrians viewed Rami in a negative light and that his strong-arm business tactics had earned him many enemies. He nonetheless believed that a majority of Syrians, at least the few who had heard about it on BBC or read about it on the internet, would see the act as a last-ditch effort by the Bush administration to punish Bashar.

¶13. (S) Former Minister of Telecommunications Amr Salem, who left office under a cloud of suspected corruption last December, said he had had several run-ins with Makhluf over Syriatel during his tenure, but that Rami had learned "the hard way" from Bashar that there was a limit to how much he could get away with on the basis of his family ties. He predicted that Bashar would secretly welcome any U.S. sanctions against corruption, because corruption was rife in Syrian government and society and had undermined the President's credibility with the Syrian people. Designating Rami, however, would have very little practical impact because Rami had diversified his many investments and it would be hard to identify majority share interests that he owned.

COMMENT

¶14. (S) Rami Makhluf's designation has generated the most reaction among Embassy contacts of any USG action vis-a-vis Syria in the past three years among. With increased murmurings casting a pall over the Arab League summit, uncertainty about what will happen in Lebanon, and never-ending conspiracy theories about the Mughnayeh assassination, Rami's designation occurred at a time when the SARG is facing pressure from multiple sources. Early indications are that the "business community," regardless of political affiliation, is definitely nervous about the potential implications of doing business with Rami.

CORBIN